

STATE OF CALIFORNIA  
DEPARTMENT OF MANAGED HEALTH CARE  
HEALTH CARE SERVICE PLAN

1

## MONTHLY FINANCIAL REPORTING FORM

Submitted on 6/1/2004 3:39:42 PM

		1
1.	FOR THE MONTH ENDING:	April 30, 2004
2.	Name:	<b>DEDICATED DENTAL SYSTEMS, INC.</b>
3.	File Number:(Enter last three digits) 933-0	<b>244</b>
4.	Date Incorporated or Organized:	July 7, 1985
5.	Date Licensed as a HCSP:	See Attached
6.	Date Federally Qualified as a HCSP:	N/A
7.	Date Commenced Operation:	1988
8.	Mailing Address:	3990 Ming Avenue, Bakersfield, CA 93309
9.	Address of Main Administrative Office:	3990 Ming Avenue, Bakersfield, CA 93309
10.	Telephone Number:	(661) 397-5513
11.	HCSP's ID Number:	77-0078333
12.	Principal Location of Books and Records:	3990 Ming Avenue, Bakersfield, CA 93309
13.	Plan Contact Person and Phone Number:	David Stanfield, (949) 567-3151
14.	Financial Reporting Contact Person and Phone Number:	Robert Hill, (310) 765-2470
15.	President:*	David Stanfield
16.	Secretary:*	Thomas Gibbon
17.	Chief Financial Officer:*	Robert Hill
18.	Other Officers:*	David Spence, Chief Operating Officer
19.		
20.		
21.		
22.	Directors:*	David Stanfield
23.		Robert Hill
24.		
25.		
26.		
27.		
28.		
29.		
30.		
31.		




The officers listed on lines 15 through 17 of the health care service plan noted on line 2, being duly sworn, each for himself or herself, deposes and says that they are the officers of the said health care service plan, and that, for the reporting period stated above, all of the herein assets were the absolute property of the said health care service plan, free and clear from any liens or claims thereon, except as herein stated, and that these financial statements, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said health care service plan as of the reporting period stated above, and of its income and deductions therefrom for the period reported, according to the best of their information, knowledge and belief, respectively.

32. President	/s/ David Stanfield (signature required (please type for valid signature))
33. Secretary	/s/ Thomas Gibbon (signature required (please type for valid signature))
34. Chief Financial Officer	/s/ Robert Hill (signature required (please type for valid signature))
* Show full name (initials not accepted) and indicate by sign (#) those officers and directors who did not occupy the indicated position in the previous statement.	
35. If this is a revised filing, check here and complete question 4 on Page 2: <input type="checkbox"/>	
36. If all dollar amounts are reported in thousands (000), check here <input type="checkbox"/>	

STATE OF CALIFORNIA  
DEPARTMENT OF MANAGED HEALTH CARE  
HEALTH CARE SERVICE PLAN

**MONTHLY FINANCIAL REPORTING FORM**

**SUPPLEMENTAL INFORMATION**

		1
1.	Are footnote disclosures attached with this filing?	Yes 
2.	Is the attached reporting form filed on a consolidated or combined basis? If "Yes", the plan is required to file consolidating or combining schedules.	No 
3.	Is the plan required to file additional information (i.e. parent/affiliate financial statements, claims reports, etc.) that is required by the Department?	Yes 
4.	If this is a revised reporting form, what is/are the reason(s) for the revision?	

## STATEMENT AS OF 4-30-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

## REPORT #1 ---- PART A: ASSETS

1	2
<b>CURRENT ASSETS:</b>	Current Period
1. Cash and Cash Equivalents	816,790
2. Short-Term Investments	0
3. Premiums Receivable - Net	14,881
4. Interest Receivable	0
5. Shared Risk Receivables - Net	0
6. Other Health Care Receivables - Net	1,772,658
7. Prepaid Expenses	86,918
8. Secured Affiliate Receivables - Current	0
9. Unsecured Affiliate Receivables - Current	367,179
10. Aggregate Write-Ins for Current Assets	169,897
11. TOTAL CURRENT ASSETS (Items 1 to 10)	3,228,323
<b>OTHER ASSETS:</b>	
12. Restricted Assets	50,000
13. Long-Term Investments	0
14. Intangible Assets and Goodwill - Net	58,546
15. Secured Affiliate Receivables - Long-Term	0
16. Unsecured Affiliate Receivables - Past Due	0
17. Aggregate Write-Ins for Other Assets	10,991
18. TOTAL OTHER ASSETS (Items 12 to 18)	119,537
<b>PROPERTY AND EQUIPMENT</b>	
19. Land, Building and Improvements	0
20. Furniture and Equipment - Net	415,461
21. Computer Equipment - Net	138,678
22. Leasehold Improvements -Net	667,554
23. Construction in Progress	0
24. Software Development Costs	0
25. Aggregate Write-Ins for Other Equipment	0
26. TOTAL PROPERTY AND EQUIPMENT (Items 19 to 25)	1,221,693
27. TOTAL ASSETS	4,569,553
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 10 FOR CURRENT ASSETS</b>	
1001. Supplies Inventory	169,897
1002.	
1003.	
1004.	
1098. Summary of remaining write-ins for Item 10 from overflow page	
1099. TOTALS (Items 1001 thru 1004 plus 1098)	169,897
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 17 FOR OTHER ASSETS</b>	
1701. Deposits	10,991
1702.	
1703.	
1704.	
1798. Summary of remaining write-ins for Item 17 from overflow page	
1799. TOTALS (Items 1701 thru 1704 plus 1798)	10,991
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR OTHER EQUIPMENT</b>	
2501.	
2502.	
2503.	
2504.	
2598. Summary of remaining write-ins for Item 25 from overflow page	
2599. TOTALS (Items 2501 thru 2504 plus 2598)	0

## STATEMENT AS OF 4-30-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

## REPORT #1 ---- PART B: LIABILITIES AND NET WORTH

1	2	3	4
	Current Period		
	Contracting	Non-Contracting	Total
<b>CURRENT LIABILITIES:</b>			
1. Trade Accounts Payable	211,569	XXX	211,569
2. Capitation Payable	0	XXX	0
3. Claims Payable (Reported)	0		0
4. Incurred But Not Reported Claims	18,360		18,360
5. POS Claims Payable (Reported)	0		0
6. POS Incurred But Not Reported Claims	0		0
7. Other Medical Liability	0		0
8. Unearned Premiums	368,167	XXX	368,167
9. Loans and Notes Payable	0	XXX	0
10. Amounts Due To Affiliates - Current	0	XXX	0
11. Aggregate Write-Ins for Current Liabilities	797,178	0	797,178
12. TOTAL CURRENT LIABILITIES (Items 1 to 11)	1,395,274	0	1,395,274
<b>OTHER LIABILITIES:</b>			
13. Loans and Notes Payable (Not Subordinated)	0	XXX	0
14. Loans and Notes Payable (Subordinated)	0	XXX	0
15. Accrued Subordinated Interest Payable	0	XXX	0
16. Amounts Due To Affiliates - Long Term	0	XXX	0
17. Aggregate Write-Ins for Other Liabilities	0	XXX	0
18. TOTAL OTHER LIABILITIES (Items 13 to 18)	0	XXX	0
19. TOTAL LIABILITIES	1,395,274	0	1,395,274
<b>NET WORTH</b>			
20. Common Stock	XXX	XXX	35,292
21. Preferred Stock	XXX	XXX	0
22. Paid In Surplus	XXX	XXX	360,083
23. Contributed Capital	XXX	XXX	0
24. Retained Earnings (Deficit)/Fund Balance	XXX	XXX	2,778,904
25. Aggregate Write-Ins for Other Net Worth Items	XXX	XXX	0
26. TOTAL NET WORTH (Items 20 to 25)	XXX	XXX	3,174,279
27. TOTAL LIABILITIES AND NET WORTH	XXX	XXX	4,569,553
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 11 FOR CURRENT LIABILITIES</b>			
1101. Accrued Payroll and Related	662,667		662,667
1102. Accrued Liabilities	134,511		134,511
1103.			0
1104.			0
1198. Summary of remaining write-ins for Item 11 from overflow page			0
1199. TOTALS (Items 1101 thru 1104 plus 1198)	797,178	0	797,178
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 17 FOR OTHER LIABILITIES</b>			
1701.		XXX	0
1702.		XXX	0
1703.		XXX	0
1704.		XXX	0
1798. Summary of remaining write-ins for Item 17 from overflow page		XXX	0
1799. TOTALS (Items 1701 thru 1704 plus 1798)	0	XXX	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR OTHER NET WORTH ITEMS</b>			
2501.	XXX	XXX	
2502.	XXX	XXX	
2503.	XXX	XXX	
2504.	XXX	XXX	
2598. Summary of remaining write-ins for Item 25 from overflow page	XXX	XXX	
2599. TOTALS (Items 2501 thru 2504 plus 2598)	XXX	XXX	0

## STATEMENT AS OF 4-30-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

## REPORT #2: REVENUE, EXPENSES AND NET WORTH

	1	2
	Current Period	Year-To-Date
<b>REVENUES:</b>		
1. Premiums (Commercial)	198,067	787,822
2. Capitation	58,813	245,023
3. Co-payments, COB, Subrogation	80,670	297,677
4. Title XVIII - Medicare	0	0
5. Title XIX - Medicaid	0	0
6. Fee-For-Service	795,682	3,363,007
7. Point-Of-Service (POS)	0	0
8. Interest	0	0
9. Risk Pool Revenue	0	0
10. Aggregate Write-Ins for Other Revenues	29	2,307
11. TOTAL REVENUE (Items 1 to 10)	1,133,261	4,695,836
<b>EXPENSES:</b>		
<b>Medical and Hospital</b>		
12. Inpatient Services - Capitated	0	0
13. Inpatient Services - Per Diem	0	0
14. Inpatient Services - Fee-For-Service/Case Rate	0	0
15. Primary Professional Services - Capitated	497,266	2,045,409
16. Primary Professional Services - Non-Capitated	10,151	37,778
17. Other Medical Professional Services - Capitated	0	0
18. Other Medical Professional Services - Non-Capitated	106,510	426,218
19. Non-Contracted Emergency Room and Out-of-Area Expense, not including POS	0	0
20. POS Out-Of-Network Expense	0	0
21. Pharmacy Expense - Capitated	0	0
22. Pharmacy Expense - Fee-for-Service	0	0
23. Aggregate Write-Ins for Other Medical and Hospital Expenses	309,054	1,142,113
24. TOTAL MEDICAL AND HOSPITAL (Items 12 to 23)	922,981	3,651,518
<b>Administration</b>		
25. Compensation	43,245	186,545
26. Interest Expense	0	0
27. Occupancy, Depreciation and Amortization	18,158	60,112
28. Management Fees	0	0
29. Marketing	0	0
30. Affiliate Administration Services	0	0
31. Aggregate Write-Ins for Other Administration	29,227	98,663
32. TOTAL ADMINISTRATION (Items 25 to 31)	90,630	345,320
33. TOTAL EXPENSES	1,013,611	3,996,838
34. INCOME (LOSS)	119,650	698,998
35. Extraordinary Item	0	0
36. Provision for Taxes	52,000	302,000
37. NET INCOME (LOSS)	67,650	396,998
<b>NET WORTH:</b>		
38. Net Worth Beginning of Period	3,619,629	4,490,281
39. Audit Adjustments	0	0
40. Increase (Decrease) in Common Stock	0	0
41. Increase (Decrease) in Preferred Stock	0	0
42. Increase (Decrease) in Paid in Surplus	0	0
43. Increase (Decrease) in Contributed Capital	52,000	302,000
44. Increase (Decrease) in Retained Earnings:	0	0
45. Net Income (Loss)	67,650	396,998
46. Dividends to Stockholders	-565,000	-2,015,000
47. Aggregate Write-Ins for Changes in Retained Earnings	0	0
48. Aggregate Write-Ins for Changes in Other Net Worth Items	0	0
49. NET WORTH END OF PERIOD (Items 38 to 48)	3,174,279	3,174,279

## STATEMENT AS OF 4-30-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

**REPORT #2: REVENUE, EXPENSES AND NET WORTH**

1	2	3
	Current Period	Year-to-Date
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 10 FOR OTHER REVENUES</b>		
1001. Other Specialty Program Revenue	29	2,307
1002.		
1003.		
1004.		
1005.		
1006.		
1098. Summary of remaining write-ins for Item 10 from overflow page		
1099. TOTALS (Items 1001 thru 1006 plus 1098)	29	2,307
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 23 FOR OTHER MEDICAL AND HOSPITAL EXPENSES</b>		
2301. Dental Supplies & Lab	117,535	479,384
2302. Marketing	7,236	26,602
2303. Practice G & A	122,299	389,497
2304. Occupancy, Depreciation, & Amortization	61,984	246,630
2305.		
2306.		
2398. Summary of remaining write-ins for Item 23 from overflow page		
2399. TOTALS (Items 2301 thru 2306 plus 2398)	309,054	1,142,113
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 31 FOR OTHER ADMINISTRATIVE EXPENSES</b>		
3101. HMO G & A	24,052	87,509
3102. HMO Bad Debt	7,176	11,154
3103. Other Income & Expense	-2,001	0
3104.		
3105.		
3106.		
3198. Summary of remaining write-ins for Item 31 from overflow page		
3199. TOTALS (Items 3101 thru 3106 plus 3198)	29,227	98,663
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 47 FOR CHANGES IN RETAINED EARNINGS</b>		
4701.		
4702.		
4703.		
4704.		
4705.		
4706.		
4798. Summary of remaining write-ins for Item 47 from overflow page		
4799. TOTALS (Items 4701 thru 4706 plus 4798)	0	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 48 FOR CHANGES OF OTHER NET WORTH ITEMS</b>		
4801.		
4802.		
4803.		
4804.		
4805.		
4806.		
4898. Summary of remaining write-ins for Item 48 from overflow page		
4899. TOTALS (Items 4801 thru 4806 plus 4898)	0	0

**REPORT #3: STATEMENT OF CASH FLOWS**

1	2	3
	Current Period	Year-to-Date
<b>CASH FLOW PROVIDED BY OPERATING ACTIVITIES</b>		
1. Group/Individual Premiums/Capitation	261,906	923,765
2. Fee-For-Service	874,860	3,407,365
3. Title XVIII - Medicare Premiums	0	0
4. Title XIX - Medicaid Premiums	0	0
5. Investment and Other Revenues	29	2,307
6. Co-Payments, COB and Subrogation	40,973	257,980
7. Medical and Hospital Expenses	-871,151	-3,642,488
8. Administration Expenses	-78,489	-337,831
9. Federal Income Taxes Paid	0	0
10. Interest Paid	0	0
11. NET CASH PROVIDED BY OPERATING ACTIVITIES	228,128	611,098
<b>CASH FLOW PROVIDED BY INVESTING ACTIVITIES</b>		
12. Proceeds from Restricted Cash and Other Assets	0	0
13. Proceeds from Investments	0	0
14. Proceeds for Sales of Property, Plant and Equipment	0	0
15. Payments for Restricted Cash and Other Assets	0	0
16. Payments for Investments	0	0
17. Payments for Property, Plant and Equipment	-42,396	-162,714
18. NET CASH PROVIDED BY INVESTING ACTIVITIES	-42,396	-162,714
<b>CASH FLOW PROVIDED BY FINANCING ACTIVITIES:</b>		
19. Proceeds from Paid in Capital or Issuance of Stock	0	0
20. Loan Proceeds from Non-Affiliates	0	0
21. Loan Proceeds from Affiliates	0	0
22. Principal Payments on Loans from Non-Affiliates	0	0
23. Principal Payments on Loans from Affiliates	0	0
24. Dividends Paid	-565,000	-2,015,000
25. Aggregate Write-Ins for Cash Provided by Financing Activities	-348,000	-98,000
26. NET CASH PROVIDED BY FINANCING ACTIVITIES	-913,000	-2,113,000
27. NET INCREASE (DECREASE) IN CASH (Items 11, 18 & 26)	-727,268	-1,664,616
28. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE MONTH	1,544,058	2,481,406
29. CASH AND CASH EQUIVALENTS AT THE END OF THE MONTH	816,790	816,790
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
30. Net Income	67,650	396,998
<b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</b>		
31. Depreciation and Amortization	14,810	58,141
32. Decrease (Increase) in Receivables	39,250	-212
33. Decrease (Increase) in Prepaid Expenses	7,239	32,057
34. Decrease (Increase) in Affiliate Receivables	-441,786	-242,022
35. Increase (Decrease) in Accounts Payable	-8,876	-144,055
36. Increase (Decrease) in Claims Payable and Shared Risk Pool	0	-1,647
37. Increase (Decrease) in Unearned Premium	5,257	-104,207
38. Aggregate Write-Ins for Adjustments to Net Income	544,584	616,045
39. TOTAL ADJUSTMENTS (Items 31 through 38)	160,478	214,100
40. NET CASH PROVIDED BY OPERATING ACTIVITIES (Item 30 adjusted by Item 39 must agree to Item 11)	228,128	611,098
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR CASH FLOW PROVIDED BY FINANCING ACTIVITIES</b>		
2501. Donated Capital	52,000	302,000
2502. Transfer to Parent (short-term)	-400,000	-400,000
2503.		
2598. Summary of remaining write-ins for Item 25 from overflow page		
TOTALS (Items 2501 thru 2503 plus 2598)	-348,000	-98,000
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 38 FOR ADJUSTMENTS TO NET INCOME</b>		
3801. Decrease (Increase) in Supplies Inventories	812	-3,794
3802. Increase (Decrease) in Accrued Liabilities	13,763	113,576
3803. Increase (Decrease) in Accrued Payroll	130,009	106,263
3898. Summary of remaining write-ins for Item 38 from overflow page	400,000	400,000
3899. TOTALS (Items 3801 thru 3803 plus 3898)	544,584	616,045

This page is no longer in use.



This page is no longer in use.

**REPORT #4: ENROLLMENT AND UTILIZATION TABLE****TOTAL ENROLLMENT**

1 Source of Enrollment	2 Total Enrollees At End of Previous Period	3 Additions During Period	4 Terminations During Period	5 Total Enrollees at End of Period	6 Cumulative Enrollee Months for Period	Total Member Ambulatory Encounters for Period			10 Total Patient Days Incurred	11 Annualized Hospital Days/1000	12 Average Length of Stay
						7 Physicians	8 Non-Physicians	9 Total			
1. Group (Commercial)	13,093	1,245	1,245	13,093	53,071			0		0	
2. Medicare Risk				0				0			
3. Medi-Cal Risk				0				0			
4. Individual	17,948	69	339	17,678	71,428			0		0	
5. Point of Service				0				0			
6. Aggregate write-ins for Other	0	0	0	0	0	0	0	0	0		
7. Total Membership	31,041	1,314	1,584	30,771	124,499	0	0	0	0	0	
DETAILS OF WRITE-INS AGGREGATED AT ITEM 6 FOR OTHER SOURCES OF ENROLLMENT											
601. Small Group				0				0			
602. Healthy Families				0				0			
603. AIM				0				0			
604. Medicare Cost				0				0			
605. ASO				0		N/A	N/A	N/A	N/A	N/A	N/A
606. PPO				0				0			
607.				0				0			
608.				0				0			
609.				0				0			
610.				0				0			
611.				0				0			
612.				0				0			
Summary of remaining write-ins for											
698. Item 6 from overflow page				0				0			
Totals (lines 601 through 612 plus											
699. 698) (Line 6 above)	0	0	0	0	0	0	0	0	0		

\*\*

1	
NOTES TO FINANCIAL STATEMENTS	
1.	
2.	For the period ended April 30, 2004 (dollars in thousands)
3.	
4.	<b>1. Business Description</b>
5.	
6.	<b>Organization</b>
7.	
8.	Dedicated Dental Systems, Inc. (the "Company"), a wholly owned subsidiary of InterDent Service
9.	Corporation ("Parent"), formerly Gentle Dental Service Corporation, was formed in 1985 as a licensed
10.	health maintenance organization under the California Knox-Keene Health Care Service Plan Act of
11.	1975 (the "Knox-Keene Act"). The Company delivers managed dental care services through its dental
12.	practice offices to enrolled individuals, subscriber groups, individuals covered by State of California
13.	Denti-Cal program, and individuals covered under fee for service plans. All of the Company's
14.	operations serve the Bakersfield, California, region. On July 31, 1998, Parent, a wholly owned
15.	subsidiary of InterDent, Inc., acquired all of the outstanding stock of the Company.
16.	
17.	<b>2. Summary of Significant Accounting Policies</b>
18.	
19.	<b>(a) Business and Regulatory Environment</b>
20.	
21.	The Company is licensed by the Department of Managed Health Care (the "DMHC"). The DMHC
22.	requires the Company to maintain a minimum tangible net equity balance. At April 30, 2004,
23.	the minimum balance required was calculated at approximately \$385. In addition, the DMHC
24.	requires the Company to maintain a minimum deposit of \$50 pursuant to the Knox-Keene Act.
25.	The deposit is comprised of a certificate of deposit held by a trustee and is included in the
26.	accompanying balance sheets as other restricted assets. Interest earned on the funds accrues
27.	to the Company and is not restricted as to use.
28.	
29.	<b>(b) Revenue Recognition and Health Care Services</b>
30.	
31.	Prepaid dental care premiums from enrolled groups and individuals are reported as revenue
32.	in the month in which enrollees are entitled to receive dental care. Premiums received prior to such
33.	period are recorded as unearned premium revenue until earned.
34.	
35.	Fees for services and other revenues consist primarily of net patient service revenue (net patient
36.	revenue). Net patient revenue represents revenue reported when the service is performed at the
37.	estimated net realizable amounts from patients, third-party payors and others for services rendered, net
38.	of contractual adjustments. The Company records its estimated liability for services provided by other
39.	parties based on historical information.
40.	
41.	<b>(c) Cash and Cash Equivalents</b>
42.	
43.	For purposes of the statements of cash flows, cash and cash equivalents include cash on hand and
44.	interest-bearing deposits with original or remaining maturities of three months or less when purchased.
45.	
46.	<b>(d) Accounts Receivable</b>
47.	
48.	Accounts receivable principally represent receivables from patients and insurance carriers for dental
49.	services provided at established billing rates, less allowances and discounts for patients covered
50.	by third-party payor contracts. Payments under these programs are primarily based on
51.	predetermined rates. In addition, a provision for doubtful accounts is provided based upon
52.	expected collections and is included in medical and hospital and practice general and administrative
53.	expenses. These contractual allowances, discounts and allowance for doubtful accounts are
54.	deducted from accounts receivable in the accompanying balance sheets. The discounts and
55.	allowances are determined based upon historical realization rates, the current economic environment
56.	and the age of accounts. Change in estimated collection rates are recorded as a change in estimate
57.	in the period the change is made.
58.	
59.	Continued on tab "Sheet 1")

1	
OVERFLOW PAGE FOR WRITE-INS	
1.	<b>Report #3, Line #3898:</b>
2.	
3.	<b>Transfer to Parent (short-term): Current \$400,000      Year-to-Date \$400,000</b>
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	
13.	
14.	
15.	
16.	
17.	
18.	
19.	
20.	
21.	
22.	
23.	
24.	
25.	
26.	
27.	
28.	
29.	
30.	
31.	
32.	
33.	
34.	
35.	
36.	
37.	
38.	
39.	
40.	
41.	
42.	
43.	
44.	
45.	
46.	
47.	
48.	
49.	
50.	
51.	
52.	
53.	
54.	
55.	
56.	
57.	
58.	
59.	

## STATEMENT AS OF 4-30-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

**KNOX-KEENE**  
**SUPPLEMENTAL INFORMATION**  
**PURSUANT TO SECTIONS 1300.84.06 AND 1300.84.2**

		1		2
1.	Net Equity		\$	3,174,279
2.	Add: Subordinated Debt		\$	0
3.	Less: Receivables from officers, directors, and affiliates		\$	0
4.	Intangibles		\$	58,546
5.	Tangible Net Equity (TNE)		\$	3,115,733
6.	Required Tangible Net Equity (See Below)		\$	385,466
7.	TNE Excess (Deficiency)		\$	2,730,267
		Full Service Plans		Specialized Plan
A.	Minimum TNE Requirement	\$ 1,000,000	Minimum TNE Requirement	\$ 50,000
<b>B. REVENUES:</b>				
8.	2% of the first \$150 million of annualized premium revenues	\$	2% of the first \$7.5 million of annualized premium revenue	\$ 61,970
	Plus		Plus	
9.	1% of annualized premium revenues in excess of \$150 million	\$	1% of annualized premium revenue in excess of \$7.5 million	\$ 0
10.	Total	\$ 0	Total	\$ 61,970
<b>C. HEALTHCARE EXPENDITURES:</b>				
11.	8% of the first \$150 million of annualized health care expenditures, except those paid on a capitated or managed hospital basis.	\$	8% of the first \$7.5 million of annualized health care expenditures, except those paid on a capitated or managed hospital basis.	\$ 385,466
	Plus		Plus	
12.	4% of annualized health care expenditures in excess of \$150 million except those paid on a capitated or managed hospital payment basis.	\$	4% of annualized health care expenditures in excess of \$7.5 million except those paid on a capitated or managed hospital payment basis.	\$ 0
	Plus		Plus	
13.	4% of the annualized hospital expenditures paid on a managed hospital payment basis.	\$	4% of the annualized hospital expenditures paid on a managed hospital payment basis.	\$ 0
14.	Total	\$ 0	Total	\$ 385,466
15.	Required "TNE" - Greater of "A" "B" or "C" \$		Required "TNE" - Greater of "A" "B" or "C" \$	385,466

**KNOX -KEENE  
SUPPLEMENTAL INFORMATION  
PURSUANT TO SECTIONS 1374.64**

**POINT OF SERVICE (POS) "ADJUSTED" TANGIBLE NET EQUITY CALCULATION**

Calculation of Tangible Net Equity and required Tangible Net Equity in accordance with Section 1374.64:

	1	
1. Net Equity	\$	3,174,279
2. Add: Subordinated Debt	\$	
3. Less: Receivables from officers, directors, and affiliates	\$	
4. Intangibles	\$	
5. Tangible Net Equity (TNE)	\$	3,174,279
6. Required Tangible Net Equity (From Line 18 below)	\$	
7. TNE Excess (Deficiency)	\$	3,174,279
ADJUSTED REQUIRED MINIMUM TANGIBLE NET EQUITY CALCULATION:		
<b>I. Plan is required to have and maintain TNE as required by Rule 1300.76 (a)(1) or (2):</b>		
8. Minimum TNE as calculated under Rule 1300.76 (a)(1) or (2)	\$	
9. 10% of annualized health care expenditures for out-of-network service for point-of-service enrollees	\$	
10. Add lines 8 and 9	\$	0
<b>II. Plan is required to have and maintain TNE as required by Rule 1300.76 (a)(3):</b>		
<b><u>PART A</u></b>		
11. Minimum TNE as recalculated to exclude annualized healthcare expenditures for out-of-network services for point-of-service enrollees (attach worksheet Page 15)	\$	
12. 10% of annualized health care expenditures for out-of-network services for point-of-service enrollees	\$	
13. Add lines 11 and 12	\$	0

## STATEMENT AS OF 4-30-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

## POS WORKSHEET FOR ADJUSTED TANGIBLE NET EQUITY CALCULATION

	1 Full Service Plans	2 Specialized Plans
1. Health care expenditures for period	\$ <input type="text"/>	\$ <input type="text"/>
Less:		
2. Capitated or managed hospital payment basis expenditures	<input type="text"/>	<input type="text"/>
3. Health care expenditures for out-of-network services for point-of-service enrollees	<input type="text"/>	<input type="text"/>
4. Result	<input type="text" value="0"/>	<input type="text" value="0"/>
5. Annualized	<input type="text"/>	<input type="text"/>
6. Reduce to maximum of \$150 million	<input type="text"/>	<input type="text"/>
7. Multiply by 8%	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>
Plus		
8. Annualized health care expenditures except those paid on a capitated or managed hospital payment basis and excluding health care expenditures for out-of-network services for point-of-service enrollees	\$ <input type="text"/>	\$ <input type="text"/>
9. Line 8 less \$150 million	<input type="text"/>	<input type="text"/>
10. Multiply by 4%	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>
Plus		
11. Annualized hospital expenditures paid on a managed hospital payment basis and excluding health care expenditures for out-of-network services for point-of-service enrollees	\$ <input type="text"/>	\$ <input type="text"/>
12. Multiply by 4%	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>
13. Total	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>

## STATEMENT AS OF 4-30-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

## NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

(Continued)

## (e) Advertising Costs

Print, radio, and television advertising costs incurred are reported as prepaid assets and amortized to expense over the life of the contracted print display or airing time. As of April 30, 2004, advertising costs not yet expensed was \$35. Advertising expense totaled \$23 for the four months ended April 30, 2004.

## (f) Supplies Inventory

Supplies consist primarily of disposable dental supplies and instruments stored at the dental practices. Supplies are stated at the lower of cost (first-in, first-out basis) or market (net realizable value).

## (g) Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost; replacements and major improvements are capitalized, while repairs and maintenance are charged to expense as incurred. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets, typically ranging from three to 15 years. Leasehold improvements are amortized using the straight-line method over the shorter of the useful life or the term of the lease.

## (h) Goodwill

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS 142). Under SFAS 142, goodwill and indefinite lived assets are no longer amortized but are reviewed annually for impairment. Separate intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. The provisions of this Statement were effective for the Company on January 1, 2002. The adoption of SFAS 142 did not have a significant impact on the Company's financial position or results of operations.

## (i) Long-Lived Assets

In August 2001, the FASB issued Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes SFAS 121, and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. The provisions of this statement were effective on January 1, 2002. The adoption of SFAS 144 did not have a significant impact on the Company's financial position or results of operations and no impairment of long-lived assets was recorded during the four months ended April 30, 2004.

## (j) Fair Value of Financial Instruments

The Company's balance sheets include the following financial instruments: cash and cash equivalents, certificates of deposit, receivables, and accounts payable. The Company considers the carrying amounts of current assets and liabilities in the financial statements to approximate the fair value for these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization.

## (k) Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of premiums receivable. Concentrations of credit risk with respect to receivables are limited due to the large number of individuals and employer groups comprising the Company's customer base.

(Continued on "Sheet 2")



**STATEMENT AS OF 4-30-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(dollars in thousands)**  
**(Continued)**

**(l) Income Taxes**

The Company does not file separate federal, state and local tax returns as they are filed with the consolidated tax returns of Parent. According to a tax sharing agreement with Parent, no income taxes payable under the consolidated tax returns is allocated to or payable by the Company (see Note 7).

**(m) Professional Liability Insurance**

The Company maintains claims-made basis professional liability insurance coverage of \$1,000 per incident and \$3,000 in the aggregate on an annual basis. Claims-made coverage covers only those claims reported during the policy period. The Company expects to renew its existing policies and to be able to obtain coverage in future years.

**(n) Claims Payable**

Claims payable, included in other current liabilities, include amounts billed and not paid and an estimate of costs incurred for unbilled services ("IBNR") by dental care providers at the balance sheet date. At April 30, 2004, the IBNR reserve estimate was \$18.

**(o) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued on "Sheet 3")

## STATEMENT AS OF 4-30-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

## NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

(Continued)

## (3) Equipment and Leasehold Improvements

The following table summarizes the components of equipment and leasehold improvements at April 30, 2004:

Equipment	\$1,637
Leasehold improvements	975
	<u>\$2,612</u>
Less accumulated depreciation and amortization	(1,390)
	<u><u>\$1,222</u></u>

## (4) Commitments and Contingencies

The Company leases office space and equipment for its corporate and dental practice offices under various noncancelable operating leases. Future minimum lease payments for the years ending December 31, are summarized as follows:

2004	\$281
2005	430
2006	424
2007	392
2008	267
Thereafter	112
	<u><u>\$1,906</u></u>

Rental expense, including equipment month-to-month rentals, totaled \$179 for the four months ended April 30, 2004.

## (5) Employee Benefits

The Company participates in the InterDent, Inc. defined contribution plan in accordance with Section 401 (k) of the Internal Revenue Code. The plan covers substantially all employees of the Company. Contributions to the plan by the Company are discretionary. There were no Company contributions to the plan during the four months ended April 30, 2004.

## (6) Related Party Transactions

To obtain favorable group purchases, the Parent on behalf of the Company purchases certain goods and services. These goods and services are transferred to the Company at the Parent's cost. As payment for these services, the Company periodically transfers cash to the Parent. The receivable from parent at April 30, 2004, was \$367 and consisted of a short-term transfer of cash to Parent of \$400 and amounts due to Parent totaling \$33.

Several professional associations ("P.A.'s") affiliated with Parent provide dental care services to certain Company enrolled groups. The Company paid \$72 in capitation payments to the P.A.'s for dental care services provided to enrollees of its insured groups during the four months ended April 30, 2004.

## (7) Income Taxes

The Company is included as part of the consolidated returns of InterDent, Inc. During the four months ended April 30, 2004, the Company recorded income tax expense of \$302 as if the Company were taxed as a C Corporation and was responsible for its federal and state income taxes on a stand-alone rather than a consolidated basis. However, under the Company's tax-sharing agreement with Parent, no income taxes payable under any federal, state, or local tax return of the consolidated group of which Parent is a member shall be allocated to or payable by the Company. As a result, the Company has recorded a capital contribution from Parent of \$302 for the three months ended April 30, 2004.

**STATEMENT AS OF 4-30-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.**

**STATEMENT AS OF 4-30-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.**

**STATEMENT AS OF 4-30-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.**

**STATEMENT AS OF 4-30-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.**

**STATEMENT AS OF 4-30-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.**

**STATEMENT AS OF 4-30-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.**



**STATEMENT AS OF 4-30-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.**